



Testimony before the U.S. Senate Committee on Small Business and Entrepreneurship

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Strengthening the Entrepreneurial Ecosystem for Women

Thank you Chairman Risch, Ranking Member Shaheen and distinguished Senators for the opportunity to share this testimony with you. My name is Michelle Richards, and I serve as the Executive Director for Great Lakes Women's Business Council.

Before I discuss the current ecosystem for women entrepreneurs, including challenges and successes, I want to share our experience as an organization dedicated to supporting women business owners. Great Lakes Women's Business Council (Great Lakes WBC) is a nonprofit organization that supports women and minority small business owners and entrepreneurs through access to financing, women's business certification, training, coaching and counseling.

I began this organization, formerly known as the Center for Empowerment & Economic Development (CEED) over 33 years ago. The organization initially was focused on addressing the capital needs of women and minorities and was one of the first microloan programs in the country. We started lending in 1984, before the microloan movement began.

In 1993 the organization became an SBA Microloan Intermediary. To date, we have made over \$6.5 million in loans under \$ 50,000, with the average loan size being \$20,000. These loans have created over 1,700 jobs in the 9 counties of southeastern Michigan which includes the City of Detroit. Over 89% of these loans have been made to women.

In the early 1990's we became an SBA Women's Business Center. This was an important event in the development of the organization. It provided us stable funding to begin to build a consistent training and counseling program that has served more than 10,000 women business owners and entrepreneurs.

For the past 20 years, Great Lakes WBC has been one of the 14 certifying partners for the Women's Business Enterprise National Council. We currently have 1,120 certified women owned businesses that generate \$12.3 billion in revenue annually and employ 48,500 U.S.

workers. We provided SBA Women Owned Small Business (WOSB) certification to 551 of these businesses, enabling access to federal contracting opportunities.

Great Lakes WBC has been significantly involved in the revitalization of Detroit through programming, counseling and access to capital efforts. We were the first microloan program in Detroit, selected by the Mayor's Office as the official City of Detroit microloan program in 2006. To date, our Detroit Loan Program has provided \$1.3 Million in loans to 48 existing businesses and 27 start-ups – creating 71 jobs and retaining 105 more. Additionally, Great Lakes WBC launched an initiative to support low and moderate-income small business growth. This development program focuses on businesses that have SBA or other certification designations (such as disabled, women or minority business enterprises) and provides training regarding how to respond to requests for proposals or quotes, access to bid opportunities and one-on-one business coaching. After one year, the 14 program participants have increased their sales by 37% and created 18 jobs in Detroit.

I'm excited for our organization's next chapter: Great Lakes WBC is in the process of becoming certified as a Community Development Financial Institution (CDFI) and last year we received a grant from the U.S. Department of Treasury to benchmark practices with CDFI standards. With CDFI designation, we will be able to launch other financial products that are responsive to the needs of low and moderate income business owners in our service territory.

Simply put, Great Lakes is an example of how organizations, in partnership with the SBA and other federal, state, and local agencies can serve the needs of entrepreneurs – ultimately turning them into job creators. There are centers like mine throughout the country – day in and day out our doors are open to ensure the success of these businesses.

In that sense, our experience – while limited to our region—captures the pulse of the entire women's business community. The more centers like ours can be resources, the better. That means growing these proven programs to ensure challenges faced by all businesses can be addressed.

Unique Challenges Facing Women Entrepreneurs

For small businesses to be successful they need to have what I call The Three Cs: capacity, capital and customers/contracts. Women entrepreneurs lack equal access to all three.

Access to capital is a critical issue for women business owners. Women account for only 16 percent of conventional small business loans¹ and receive only 4.4 percent of the total dollar value of loans from all sources.²

Great Lakes Women's Business Council has heard countless stories of the bias against women when they attempt to obtain business finance. I was recently told by an established woman business owner that a bank lender came to her business, sat down to take notes and asked if her husband would be joining them. When she indicated that he would not be attending because he was not part of the business the lender immediately shut his padfolio and left.

This is only one story, but it is not an uncommon one. Sometimes women business owners are not even given the application to complete! If women aren't able to obtain equal access to financial capital they can't grow their business to full potential.

Access to credit is not the only barrier for women entrepreneurs – they are also highly underrepresented in the federal and corporate contracting. Although the federal government met its goal of awarding 5 percent of eligible federal contracts to women-owned firms in 2015, it failed to reach this mark in 2016 – despite women-owned businesses representing 38% of all firms. The market share needs to grow because federal contracting has a tremendous impact on many women owned business. Here are a couple examples:

- Katie Bigelow, president of Mettle Ops, received a contract with the Air Force in 2015. She told me: "It was my first government contract after two years of trying to get my foot in the door. That \$80,000 contract was a game changer for my business. It created the past performance needed to help win my most recent contract award for \$9.1 million."
- Denise Griffith and Monica Starks, owners of GS Group won a \$3 million contract through the U.S. Environmental Protection Agency, resulting in the immediate creation of 5 jobs and the projected hiring of 10 more.

Women owned businesses have also struggled to access their fair share of corporate contracts. Great Lakes WBC has 100 corporate members who make up Fortune 500, Fortune 1000 and regional companies, but the vast majority of these companies do not achieve 5 percent spend with women-owned firms.

Finally, women are unable to access basic tools that we know work for business owners. The Aspen Institute's FIELD program has found that when business owners receive training and coaching help, 80% are still in business after five years, compared to 50% who did not receive such help.³ Women business owners need training and coaching to grow their businesses and become job creators, and it is important to modernize and grow a nationwide network of counselors and mentors for women entrepreneurs.

Recommendations

As an SBA Women's Business Center, a WBENC certifying partner and SBA microlender, Great Lakes WBC supports the following policy initiatives:

- **Increased funding for Women's Business Centers.** The House of Representatives included the Women's Business Center legislation as part of the FY18 National Defense Authorization Act (NDAA), which would increase the 30-year-old cap on grant levels. We strongly urge the Senate to keep this provision in the NDAA. Increased funding will allow the WBC program to expand and reach many more women entrepreneurs than it is currently able to.
- **Implementation of WOSB 3rd party certification rules.**
- **Dedicated commitment to programs that are proven to provide capital to women business owners.** Congress should continue to support programs like the SBA Microloan program and the Community Development Financial Institution Fund, which provide much-needed financing for women entrepreneurs and underserved communities.

Chairman Risch, Ranking Member Shaheen and distinguished Senators, thank you for the opportunity to present this testimony.

1 The Urban Institute, "Competitive Opportunity Gap Analysis." http://www.urban.org/UploadedPDF/411596_504_gap_analysis.pdf. Issued 2008

2 The Urban Institute, "Competitive Opportunity Gap Analysis." http://www.urban.org/UploadedPDF/411596_504_gap_analysis.pdf. Issued 2008
3 Association of Enterprise Opportunity. Bigger Than You Think: The Economic Impact of Microbusiness In the United States. November 2013 <http://www.aeoworks.org/pdf/Bigger%20Than%20You%20Think%20-%20The%20Economic%20Impact%20of%20Microbusiness%20in%20the%20United%20States.pdf>

4. "Women-owned business" searched on the System for Award Management at www.SAM.gov. Accessed October 9, 2017.

